## Corporate Governance Manual

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1 INTRODUCTION

1.1 Purpose of the manual

The purpose of the document is to institutionalize clear, robust and effective Corporate Governance as the foundations for Al Rajhi Bank's future market leadership, continued profitability and long-term stability. This document is also to set-up high standards and best practices in Corporate Governance with main focus over compliance with the regulators’) guidelines and global best practices.

This manual describes the Governance principles and practices of Al Rajhi Bank (ARB) and its subsidiaries in KSA and internationally.

Specifically, it includes a comprehensive and detailed record of the Bank's Governance framework, Board and Management governance structures, as well as the key policies guidelines and control functions at the Bank.

1.2 Custodianship of the manual

The Chief Governance and Legal Officer, overseen by the Board Governance Committee, is responsible for ensuring that the Corporate Governance manual is up-to-date.

The Chief Governance and Legal Officer shall maintain a repository which shall contain the Corporate Governance manual and its associated control documents including the Al Rajhi Bank Authorities Matrix.

This repository and the associated documents shall be accessible to the Bank's employees through the intranet. The repository shall also link to the full set of the Bank's policies and procedures.

1.3 Amendments to the manual

The Chief Governance and Legal Officer shall be responsible for reviewing and updating the contents of the Corporate Governance Manual on an ongoing basis, and shall conduct a full review every two years under the supervision of the Governance Committee.
2 GOVERNANCE FRAMEWORK

2.1 Principles of Corporate Governance:

The Al Rajhi Bank Corporate Governance framework is based on five principles:

- **Control environment** – the basis for all forms of governance is establishing the right internal disciplines and continuously instilling these through communication, recruitment practices and training

- **Control activities** – the internal control environment must be demonstrated in the day-to-day activities and documented in simple, accessible policies, procedures and authorities

- **Risk management** – ARB acknowledges that taking risks is an integral part of its business, core to success is identifying, assessing and controlling the impact of these risks

- **Internal and external communication** – the effective flow of information up and down and across the organization, and with regulators, shareholders and customers is paramount

- **Monitoring and follow-up** – across the Bank’s governance monitoring and follow-up are essential to maintaining effectiveness and identifying opportunities for improvements

2.2 Corporate Governance Framework

The Al Rajhi Bank Corporate Governance framework is based on five Board committees and a series of supporting Level 1 and Level 2 management committees. This governance structure is underpinned by a series of governance enablers which are core to ensuring the required clarity and discipline of good corporate governance: corporate values, organization design, policies and procedures, the Bank’s authorities matrix and effective communication.
Exhibit A: Al Rajhi Bank Corporate Governance Framework
3 SHARIA GOVERNANCE MODEL

3.1 Sharia Board

The Sharia Board is elected by the General Assembly. It is independent from all other Bank departments and has the ultimate responsibility to implement and observe the precepts of divine Sharia and Islamic legislation in all the Bank’s transactions.

The Sharia Board is composed of five members including the Chairman. Nominated candidates to the membership of the Sharia Board must have the required qualifications or have expertise or experience in Islamic financial transactions, Sharia Board member should not jointly be a member of another Sharia Board

The principal functions of the Sharia Board are to:

- Submit an annual report to be presented to the General Assembly regarding the compliance status of the Bank’s operations along with its Sharia rulings.
- Observe the bank compliance along with the sharia ruling through supervision the work of the Sharia Compliance and Audit Department.
- Recommend and advise the board to maintain the compliance of sharia rules and to keep the Islamic direction of the Bank.
- Organize Sharia courses for the employees of the Bank to enable them to do their work in accordance to Sharia rulings, it may propose as well to the Board of Directors to organize seminars and conferences relating to Islamic economics.
- Approve all products and services and their contracts and forms from a Sharia compliance point of view.

The Sharia Board will meet at least eight times annually. The meetings will be conducted at its headquarters in Riyadh or other places as decided by the Sharia board and its decisions shall be binding.

All Bank personnel, including top management, are called upon to comply with the Bank’s Sharia policy, set by the Sharia Board in line with the provisions of the Bank’s articles of association and other rules and guidelines outlined as follows:

- Decisions of the Sharia Board are considered binding on all departments and the management of the Corporation.
- Implementation of Sharia Board decisions is the responsibility of all levels of corporate executive departments.
- No product or service can be launched until it has been approved by the Sharia Board.
- It is strictly forbidden to act in violation of any decisions of the Sharia Board.
- Any violation of a Sharia Board decision, breach of an existing practice decreed by the Sharia Board or the launching of any product or service without prior approval of the Sharia Board will incur upon the culprit the applicable penalty.
- The Sharia Board monitors the activities of the Corporation from a Sharia standpoint and follows-up the implementation of Board decisions, through the Sharia Control Department or any designated body.
The Sharia Board has developed binding contracts in line with the precepts of Sharia, applicable to all corporate transactions and deals at both local and international levels.

3.2 Sharia Group

The Sharia Group is made up of two divisions being: The Secretariat and the Sharia Control Department.

The responsibility of the Sharia Group is to participate in the realization of the Bank’s Islamic banking strategy through support of the plans and policies necessary for the Bank’s compliance with the precepts of Islamic Sharia, in the conduct of its business transactions.

To achieve this objective, the Sharia Group has been entrusted with the following functions:

- The General Manager of Sharia group is the secretary of the Sharia Board.
- Preparing research required by the Sharia Board that related to the bank products and services.
- Monitoring the implementation of the Sharia Board decisions and their application to all aspects of the Bank’s business activities within the Kingdom and abroad.
- Conduct training courses on Islamic legislations for bank employees to assist them in carrying out their duties in line with Islamic regulations.
4 BOARD GOVERNANCE MODEL

4.1 Board of Directors

ARB shall be managed by the Board of Directors (Board). Directors are responsible for the overall promotion and safeguarding of ARB’s interests. In doing so, the Board shall be in charge of upholding the highest standards of Corporate Governance across the Bank, including its subsidiaries.

4.1.1 Composition

ARB’s Board shall comprise of eleven members and shall be appointed by the General Assembly for a term of three Gregorian calendar years.

Board members collectively should have a mix of banking expertise, commercial experience, and regulatory experience. Board members must be of high reputation, competence and integrity with an ability to oversee, follow up and direct the Bank to achieve its strategic goals. In addition, Board members shall remain qualified through regular participation in training on relevant topics.

The Board member qualifications and expertise shall be stated in the succession planning policy for Board members. The policy is owned by the Nomination and Compensation Committee which is responsible for ensure that the Board is continuously suitably qualified to fulfill its role effectively.

At least two of the Board members shall be independent according to SAMA’s definition of "Independence" and at least four shall be independent according to the CMA's definition of "Independence". No more than two members can be executives. None of the Board members shall be on the Board of any other Bank licensed in KSA. A Board member may be on the Board of up to 5 listed companies in KSA provided that these memberships do not create a Conflict of Interest with ARB which could lead to impairment of his ability to fulfill his ARB Board membership duties. Board members who are on the Board of other listed companies should inform the ARB Board Chairman and their membership in other listed company Boards must be stated in ARB’s annual report.

The Board must choose a Non-Executive Director as Chairman of the Board. The Board may select a Non-Executive Director as Vice-Chairman. However, appointing any board member or board committee should be based on obtaining the "No-Objection Confirmation“ from SAMA.

The definitions of "Non-executive member" and "independent member" must be in accordance with the guidelines of SAMA and the CMA at all times

The Board is responsible for ensuring at any given time that its composition is in conformity with the guidelines of SAMA, the CMA and International standards. The Board must also ensure that the curriculum vitaes of all Board members are appropriately disclosed as per regulator guidelines.
4.1.2 Collective skill-set requirements

The Board must be composed of members who collectively have the right skills, expertise and experience to ensure proper oversight and management of the Bank at all times. The required collective skills at the ARB Board are as follows:

**Banking:** Three to four members of the Board must have strong banking skills and experience as follows:
- Banking experience of over 15 years domestically or internationally, and;
- Been previously a bank Board member, or bank CEO, or bank senior level executive (Direct CEO report).
- At least one member should have strong risk management expertise in banking.
- At least one member is preferred to have strong IT expertise in banking.

**Commercial:** Three to four members of the Board must have strong commercial skills and experience as follows:
- Extensive commercial experience and network within the Saudi Arabian market.
- Collective experience should cover key Saudi economic sectors (i.e., oil and gas, construction, real estate, wholesale trade, retail trade)

**Regulatory:** It is preferred that one to two Board members to have strong Banking operations and regulatory skills and experience as follows:
- Ten to fifteen years of banking regulatory experience.
- Previously experienced Central Bank regulatory senior, or senior banking executive with deep regulatory focus.

**Audit/Governance:** One to two members of the Board must have strong Audit/Governance skills and experience as follows:
- Over 15 years of audit or governance related experience.
- Previously Partner at Big 4 accounting firm, or executive with senior governance role.
- Strong reputation within domestic and/or international

The Board may choose to appoint external, permanent and non-voting experts to participate in its meetings as a means to complement and reinforce its collective skill-set.

**Financial Knowledge:**
A Board member shall have the ability to read and understand financial statements and reports.
4.1.3 Fit and proper criteria

All members of the Board must fit the regulator guidelines for fit and proper. ARB has translated these guidelines into specific criteria of which the application shall be an ongoing process and shall be in effect throughout the term of the Board.

Honesty, Integrity and Reputation: The following criteria are relevant to the assessment of honesty, integrity and reputation, but they do not represent an exhaustive list of criteria. The Board shall exercise good judgment in its assessment of individuals beyond these criteria.

Board member must not:
- Be or have been prohibited from operating in any jurisdiction by any KSA regulatory authority.
- Be or have been censured, disciplined or suspended from membership in any Saudi regulator.
- Be or have been convicted of any offence by a Saudi court.
- Have accepted liability for fraud or misrepresentation under any law in any Saudi jurisdiction.
- Have contravened or abetted another person in breach of any Saudi laws or regulations, business rules or codes of conduct.
- Have demonstrated an unwillingness to comply with any Saudi regulatory requirement or to uphold any professional and ethical standards.
- Have been untruthful or provided false or misleading information to Saudi regulators or been incompliant in any dealings with Saudi regulators.

Competence & capability: The following criteria are relevant to the assessment of competence and capability, but they do not represent an exhaustive list of criteria. The Board shall exercise good judgment in its assessment of individuals beyond these criteria.

Board member must:
- Have satisfactory past performance or expertise. Expertise and skill-set requirements are listed in a previous section of this manual.
- Have no factor that could impair his ability to discharge his duties.
- Have satisfactory educational qualification or experience.
- Leadership skills which enable him to delegate powers in order to enhance performance and apply best practices in effective management and compliance with professional ethics and values.
- Academic qualifications and proper professional and personal skills as well as an appropriate level of training and practical experience related to the current and future businesses of the Bank and the knowledge of management, economics, accounting, law or governance, as well as the desire to learn and receive training.
- Technical, leadership, and administrative competencies as well as the ability to take prompt decisions, and understand technical requirements and developments related to the job. The Board member shall also be able to provide strategic guidance and long-term planning and have a clear future vision.
Financial soundness: The following criteria are relevant to the assessment of financial soundness, but they do not represent an exhaustive list of criteria. The Board shall exercise good judgment in its assessment of individuals beyond these criteria.

Board member must:
- Have never been unable to fulfill any of his financial obligations.
- Have not entered into a compromise or scheme of arrangement with his creditors.
- Be or have not been involved in a bankruptcy petition.
- Not be subject to a judgment debt which is unsatisfied.

Autonomy – Ability to act independently of external influence: The following criteria are relevant to the assessment of a member’s autonomy, but they do not represent an exhaustive list of criteria. The Board shall exercise good judgment in its assessment of individuals beyond these criteria.

Board member must:
- Have the necessary independence from external influence to perform the responsibilities and duties.
- Not have business interests, financial interests, employment obligations, or any other situations which might give direct or indirect rise to conflict of interest or which could in any way impair the person’s independence and ability to perform the duties.

Membership in Boards of Directors
- None of Bank’s Board members shall be a member in the Board of any other bank licensed in KSA. A Board member may be in the Board of up to 5 listed companies in KSA provided that these memberships shall not create a Conflict of Interest with AlRajhi Bank which may lead to impairment of ability to fulfill the Board membership duties in AlRajhi Bank.
- The Board members, who are members in the Board of other listed companies, must inform Alrjahi Bank Board Chairman about their membership and their membership status must be stated in the Bank’s annual report.

Physical Fitness:
A Board member shall not suffer from any health issue that may hinder him from performing his duties and responsibilities.

4.1.4 Responsibility, role and authority
The Board shall have the ultimate responsibility for the success, soundness and solvency of the Bank, and is accountable for protecting depositors' and shareholders' funds.

The main responsibilities of the Board members are to:

Strategy responsibilities:
- Constructively challenge and contribute to the development of strategy
- Approve and monitor the implementation of the business strategy of the Bank, taking into account the Bank's long-term financial interests, its exposure to risk, and its ability to manage risk effectively.
Risk responsibilities (including Compliance and AML):

- Approve and oversee the implementation of the Bank’s overall risk strategy, including its risk tolerance/appetite; the policies for risk, the risk management and compliance; the internal controls system; the Corporate Governance framework, principles and corporate values, including a code of conduct or comparable document; and the Bank’s compensation system (Specifically ensuring it doesn't incentivize disproportionate risk-taking).
- Ensure the independence of internal and external auditors; and ensure compliance with the requirements of disclosure and transparency with regard to reports and financial information.
- Ensure that a policy to identify measure and manage related-party exposures is in place.
- Ensure that the bank is conveying through appropriate material risk culture and policies to all the employees.
- Ensure that the bank is operating with integrity and in compliance with applicable, laws, regulations and internal policies.
- Ensure that the bank is following all applicable regulations in terms of combating money laundering and the financing of terrorism (AML/CFT).

Performance management responsibilities:

- Monitor and oversee Management of the bank performance and risks, including subsidiaries.
- Scrutinize the performance of Management in meetings on agreed goals and objectives, performing critical reviews of the performance of Management and engage with Management on strategic issues.
- Ensure that financial information is accurate and that financial controls and systems of risk Management are robust and defensible.
- Develop a Corporate Social Responsibility program and oversee its implementation.

Organizational responsibilities:

- Appoint and remove senior managers and ensure succession planning.
- Support senior managers in their leadership of the business while monitoring their conduct. In that context, after informing the CEO, directors can periodically visit office locations to meet and interact with senior managers in the context of their everyday work environment. This shall be done with the objective of building a more thorough understanding of the senior managers’ professional skills, as well as the operations of the Bank. Directors must go beyond interacting with senior managers in formal Board or Committee meetings.
- Determine the appropriate level of remuneration across the Bank by approving the Bank’s compensation system.

The Board has the authority to decide on the delegation of authority to Board & management Committees and the Management of the Bank.

4.1.5 Meetings, quorum and decision mechanisms

The number of Board meetings shall be six meetings a year shall be scheduled at the beginning of the year. Additional meetings can be convened upon the request of the Chairman or two Board members. The agenda for the Board meetings shall be sent out at least five days prior to the meeting date and for extraordinary meetings will be sent out at least five days prior to the meeting date.
The meetings of the Board can take place either face-to-face, by teleconference or by videoconference. The Board may, when urgent or necessary or as their discretion, adopt resolutions by submitting them to members separately by circulation outside of a meeting any resolutions so adopted shall be submitted to the Board at the first subsequent meeting to be documented in the minutes.

Apart from any additional items, The Board shall operate a standing agenda to include:

- Review of minutes from the previous meeting, and outstanding issues raised by Directors at previous meetings;
- Reports on the execution progress of previous Board decisions;
- Reports from Chairs of Committees which have met prior to the Board meeting;
- The Chief Executive Officer’s report;
- The Chief Financial Officer’s report;
- Reports on major projects and current business issues;
- Specific business proposals;
- And any other business.

The Board shall approve the agenda once the Board meeting is convened. Should any member of the Board raise any objection in respect of such agenda, such objection shall be recorded in the minutes of the meeting. Each member of the Board is entitled to propose additional items to the agenda.

A Board meeting quorum is considered valid if seven Directors attend either in person or through representation, a minimum five members should attend in person.

Board decisions regarding credit applications and Investments shall be adopted by at least 70% of the eligible to vote members and quorum must not be less than 6 votes in all cases, while other board decisions shall be adopted by a majority of the votes of attending and represented or 7 votes if it was by circulation. When votes are equally divided, the side on which the vote of the Chairman of the Board lies shall prevail. Meeting minutes must include any votes made during the meetings, including objections or abstention from voting.

The CEO shall be an invitee to Board meetings. However, any member of the Board of Directors retains the right to request that the committee discusses a particular topic privately without the presence of the CEO. The Board can also invite any management staff to attend meetings of the Board and may refer matters deemed to require attention directly to the appropriate executive management staff.

If one member raises an issue during a credit application’s vote by circulation, four options exist to finalize voting process:

- An answer to the issue raised is developed and shared among all members allowing to finalize vote by circulation
- At the chairman’s request, a conference call is organized to discuss the issue, allowing to finalize vote by circulation
- At the chairman’s request, a physical meeting is organized to discuss the issue, allowing to finalize vote by circulation
- Voting is deferred to next meeting
4.1.6 Internal Board management

4.1.6.1 Nomination and election of Directors

The Board, with inputs and recommendations by the Nomination and Compensation Committee, identifies nominees for open Board positions in accordance with regulations of nomination to Board membership mentioned in ARB Board of Directors Nomination and Membership Policy. Shareholders shall approve the appointment of prospective Board members in the General Assembly. All appointed Board members shall review Board members Orientation Program including signing Bank’s contractual terms and conditions agreement that specifies the role of a Board member, defines the Bank’s contractual terms and conditions, and ensures that the Board members have reviewed all required information to perform their tasks and achieve both parties’ interests.

AlRajhi Bank’s policies, documents and manuals related to Board shall constitute an integral part of the contractual terms and conditions. Once the contractual terms and conditions agreement is signed by the Board member, the Board member acknowledges the following:

1- Reviewing and compliance with Bank’s Board Nomination and Membership Policy, approved by General Assembly.
2- Reviewing Bank’s Governance Manual that includes approved governance framework along with tasks and responsibilities of Board and Board Committees.
3- Reviewing and compliance with Board and Board members’ roles mentioned in Bank’s Conflict of Interest Policy.
4- Reviewing and compliance with Board and Board members’ roles mentioned in Bank’s Related Party Policy.
5- Reviewing and compliance with Board and Board members’ roles mentioned in Bank’s Disclosure Policy.
6- Reviewing and compliance with Board and Board members’ roles mentioned in Bank’s Board Replacement Policy.
7- Reviewing Bank’s Remunerations and Compensations of Board, Board Committees, and Audit and Compliance Committee Policy that defines Board members remunerations and compensation against their membership and participation in Board and Board committees.
8- Reviewing and compliance with the Reference Guide for Board members and senior executives’ obligations related to shares holding and prohibition of transactions period.
9- Compliance with filling all forms of disclosure and information required by the Bank, particularly membership classification, independency, related parties details, conflict of interest, political persons, and other disclosures required by laws applicable in Kingdom of Saudi Arabia, Ministry of Commerce, SAMA, and CAMA.

4.1.6.2 Election term, re-election and mandatory retirement

Directors can be elected to the Board an unlimited number of terms by the General Assembly which needs to re-elect them at the end of each term, maximum number of years in service is determined by applicable regulations.

All executive, non-executive and independent directors, wishing to get re-elected, shall be required to submit themselves for re-election every three years. Reappointment should not be automatic, but the result of a conscious decision in the General Assembly based on the recommendation of the
Board and the Nomination and Compensation Committee. Regulators shall be notified of all Board member appointments.

The Board must consider – if made possible by the available Board members' range of expertise – rotating the membership for its key Committees especially for the Audit & Compliance Committee and the Nomination and Compensation Committee. Members of these Board Committees are typically considered for rotation after two terms.

Any Board member, or employee, of ARB who has been adjudicated bankrupt or convicted of a moral offence shall be considered as having resigned his post.

4.1.6.3 Induction for new members of Board

Members of the Board shall receive appropriate induction and training upon appointment. The Board must ensure the development and continuous updating of an induction program to the new members on the Bank's business in particular, the financial and legal aspects.

4.1.6.4 Continuing education

Members of the Board shall participate in the Bank's ongoing Board training program. The Nominations and Compensation Committee will oversee the development of this program. The program will include training seminars on relevant topics (e.g., Basel III, AML & Compliance requirements), business briefings on emerging industry trends and bulletins on new regulations/corporate governance requirements.

4.1.6.5 Board evaluation: self-evaluation

The Board's effectiveness shall be monitored through an annual performance evaluation. The Governance Committee shall be responsible for conducting the annual self-evaluation, shall report its findings to the Chairman and recommend a plan to address identified areas of improvement. The performance evaluation process shall be circulated to all members upon their joining the Board.

The Board, through the Governance Committee, shall also ensure that each Board Committee conducts a regular self-evaluation of its performance and the performance of its members.

4.1.6.6 Director compensation

In line with applicable regulations, the compensation of the Chairman and Board members has been fixed at a set amount as outlined in the Board Remuneration and Compensation policy.

The compensation of the external members of Committees (Non-Board members), hired as external experts, shall be determined by the policy as well.
4.1.6.7 Board Secretary

a) The Board shall appoint a secretary among its members or a third party, whose competencies and remunerations shall be specified by a Board resolution, unless the Company’s bylaws include provisions in connecting therewith, provided that such powers shall include:

1) Documenting the Board meetings and preparing minutes of meeting, which shall include the discussions and deliberations carried during such meetings, as well as the place, date, times on which such meetings commenced and concluded; and recording the resolutions of the Board and voting results and retaining them in a special and organized register, ad including the names of the attendees and any reservations they expressed (if any). Such minutes of meetings shall be signed by all of the attending members;

2) Retaining the reports submitted to the Board and the reports prepared by it;

3) Providing the Board members with the agenda of the Board meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Board member.

4) Ensuring that the Board members comply with the procedures approved by the Board.

5) Notifying the Board members of the dates of the Board’s meetings within sufficient time prior to the date specified for the meeting;

6) Presenting the draft minutes of meetings to the Board members to obtain their feedback on them before signing the same.

7) Ensuring that the Board members receive, fully and promptly, a copy of the minutes of meeting for Board meetings as well as all information and documents related to the Company;

8) Coordinating among the Board members;

9) Regulating the disclosure register of the Board and Executive Management as per Article (92) of these regulations; and

10) Providing assistance and advice to the Board members.

b) The Board Secretary may not be dismissed except pursuant to a resolution of the Board.

4.1.6.8 Internal Board management- Board meeting attendance

Each independent Board member, as defined by the CMA, must attend at least 75% of the annual meetings.

The Board may recommend to the General Assembly to terminate the membership of any member that is absent from three consecutive meetings of the Board without a valid and legitimate excuse. Attendance by representation shall not be considered as valid attendance.

4.1.7 Disclosure and transparency rules

The Board should ensure the release of information as highlighted in the requirements of SAMA and the CMA in a timely manner.

Through ensuring adherence to the Disclosure Policy, ARB’s Board should demonstrate its commitment to achieving best practice in terms of disclosure by acting in accordance with the spirit, intention and purposes of the applicable regulatory requirements and by looking beyond form to
substance. The Disclosure Policy should at all times reflect relevant obligations under applicable CMA listing rules and legislation.

For disclosure purposes, price-sensitive information is information that a reasonable person would expect to have a material effect on the price or value of ARB’s securities. The Board has the ultimate responsibility for reviewing proposed disclosures and making decisions in relation to what information can be or should be disclosed to the market.

The Board should discuss on a yearly basis the effectiveness of ARB’s compliance with applicable regulatory requirements in relation to the disclosure of price-sensitive information.

4.2 Board Committees

Complying with Saudi regulators and Basel III guidelines the Board has established five Board Committees: an Executive Committee, an Audit & Compliance Committee, a Risk Committee as well as a Nomination and Compensation Committee. In addition, the Board has established a Governance Committee with the purpose to emphasize the Bank’s strong focus on achieving best in class practices for sound Corporate Governance.

4.2.1 General provisions of meetings and quorum for all Board Committees

These general provisions are valid for all Board Committees:

Formation and composition:
- The Board may establish Board Committees which assist it in performing its responsibilities
- The Chairman of the Committee and Committee members shall be selected by the Board, with the exception of the Audit and Compliance Committee’s members, who shall be selected by the General Assembly.
- Committee terms and membership shall be limited to a period of three years or to the end of the current board period.
- Committee terms and memberships shall be renewable by the Board up to two additional terms, with the exception of the Audit and Compliance Committee’s members, who shall be renewed by the General Assembly.
- Each Committee shall have a nominated Secretary selected by the Committee’s members.
- The Secretary shall be the authorized channel of communication of all Committee decisions.
- Any member of a Board Committee may be removed and replaced at any time by the Board, with the exception of the Audit and Compliance Committee’s members, who may only be removed and replaced by the General Assembly. Any member of a Board Committee shall automatically cease to be a member when the member ceases to be a Director.
- The Committee members shall not be less than three and not more than five members.
- Board Chairman shall not be a member of Audit and Compliance Committee and may be a member of other committees, provided that he shall not occupy Chairman position in the committees mentioned in Corporate Governance Charter issued by CMA.

Meetings:
- All the annual meetings of the Committees shall be scheduled at the beginning of each year.
The meetings’ agenda shall be determined by the Chairman of the Committee, and shall be provided via the Secretary of the Committee, to Committee members five days in advance with the accompanying documents for the meeting. In exceptional cases, the Chairman can decide to have the agenda and/or the accompanying documents forwarded within a shorter period of time. Meetings may be held without notice if all of the members waive notice.

The Committee may conduct meetings through video or teleconferencing or by circulation, provided that meeting in person is the normal standard.

The quorum for the meeting is the majority of its members. Board Committee members may delegate to another committee member to attend Committee meetings and vote.

The Committees must act upon their authorities as stipulated in the Bank’s Delegation of Authority Matrix.

The decision-making process is through consensus and when there is no consensus; decisions shall be reached by a simple majority decision by a voting process. If there is a voting deadlock, the Chairman or the acting Chairman shall have the casting vote.

Minutes shall be approved by the Chairman of the Committee, within a week from the meeting and included in the papers for the following Board meeting. Minutes shall then be circulated to all Committee members for signature. Once the Secretary has received the approval of two Committee members (apart from the Chairman), the minutes are deemed to be final.

Each Board Committee shall, once a year, review its own performance, and once every two years, review its constitution and terms of reference, to ensure it is operating effectively and report the result to the Board.

The Board should, at the beginning of each year, set a specific timetable for receiving reports from the committees concerned and internal and external auditors, and shall ensure that the mechanism for the collection, preparation and submission of reports and data is in place and in line with the internal adopted policy.

Meeting minutes must include any votes made during the meetings, including objections or abstention from voting.

Board Committee members shall receive attendance allowance against each Committee meeting.

Committee members who are not Board directors shall be paid competitive market rates.

All expenses incurred by members to attend Board Committee meetings shall be reimbursed.

**Executive Committee:** The primary purpose of the Committee shall be to take responsibility of ARB business operations and make prompt decisions on pressing issues related to ARB’s businesses. The Executive Committee shall be responsible for the reviewing, monitoring and approving key financial and non-financial business, investment and operational decisions for the Bank within the authority defined by the Board.

**Nomination and Compensation Committee:** The primary purpose of the Committee shall be to provide recommendations to the board for new Board members and members of senior Management; lead the assessment of Board and senior Management effectiveness; oversee the Bank’s personnel or human resource policies. In addition, the Committee shall oversee the compensation system’s design and operation, and ensures that compensation is appropriate and consistent with the Bank’s culture, long-term business and risk strategy, performance and control environment, as well as with any legal or regulatory requirements.
**Risk Management Committee:** The purpose of the Committee shall be to advise the board on the bank’s overall current and future risk tolerance/appetite and strategy, and to oversee senior Management’s implementation of that strategy. This includes strategies for capital and liquidity management, as well as for credit, market, operational, compliance, reputational and other risks of the bank. The Committee shall also ensure that the compensation system of senior Management does not incentivize disproportionate risk taking.

**Governance Committee:** The primary purpose of the Committee shall be to enhance and maintain best-in-class Corporate Governance standards by ensuring, on behalf of the Board, that all the Bank staff members are following sound Corporate Governance practices.

**Audit & Compliance Committee:** The primary purpose of the Committee shall be to oversee the financial reporting process; provide oversight of the bank’s internal and external auditors; recommend to the board and shareholders for their approval, the appointment, compensation and dismissal of external auditors; review and approve the audit scope, and frequency; receive key audit reports; and ensure that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by auditors. In addition, the Audit & Compliance Committee should oversee the establishment of accounting policies & practices by the Bank and shall ensure the Banks’ compliance with global banking standards. In terms of its Compliance oversight function, the Committee shall ensure that the Bank is consistently compliant with all the domestic and international rules and regulations. It shall monitor the performance of the management Compliance Committee and the Compliance Group to ensure they are diligently conducting their responsibilities in the Bank.

4.3 **Board-Management interaction**

There shall be a clear division of responsibilities between the roles of Chairman of the Board, the Vice Chairman of the Board and the CEO of ARB to ensure effective separation of the roles of the Board on one hand and the Management on the other hand. In this respect there are two overarching governance roles: The oversight of ARB and ARB’s activities by the Board versus the day-to-day management of ARB and its activities by the CEO and the Senior Management Team reporting to the CEO.

The **Chairman of the Board** is responsible for leading the Board, overseeing ARB’s strategy and management, ensuring that effective external relations are in place (Including with stakeholders such as shareholders, creditors, financial agencies, etc…) and overseeing the implementation of Corporate Governance standards. The Chairman is co-responsible (together with the CEO) for the Bank towards SAMA and the CMA.

The **Vice-Chairman of the Board** shall assist the Chairman in performing the latter’s responsibilities. During the period when the Chairman is absent and the normal functions of the Chairman cannot be carried out, the Vice Chairman will take the role as the acting Chairman until the Chairman resumes carrying out his normal responsibilities or a new Chairman has been elected and appointed by the Board.
The **Chief Executive Officer (CEO)** reports to the Board of Directors, and is accountable for and manages strategy development and implementation resulting from the vision statement of ARB. He is responsible for leading the Bank to the achievement of its objectives and co-responsible (together with the Chairman) towards SAMA and the CMA for the prudent management and regulation-compliant operation of ARB.

### 4.4 Regulations of Senior Executives Positions Nominations and Evaluation of their Performance

1. HR Dept. shall register any initial vacancy for senior executives positions based on the approval of the competent departments inside and outside the Bank.
2. HR Dept. shall present Nomination Order, through CEO, to the Committee, provided that the proposal shall include candidate CV, job description, KPIs required to be achieved at the end of the year, approval of the competent department, and other Committee’s requirements such as clarifications or documents.
3. The candidate experiences and qualifications must match with criteria stipulated by appointment conditions in HR Policy. The candidate shall pass the interview and recruitment and evaluation tests in accordance with HR policy.
4. Candidate shall has the capability to lead, direct, make decision, build team, motivate team, exercise effective communication skills, and financial knowledge in the work field.
5. The Committee shall study the nominations to provide its recommendations and it may request to interview the candidate.
6. The Committee shall ensure compliance of the Bank with appointment requirements in leading positions issued by SAMA upon nominating, appointing, dismissing, or resignation of senior executives.
7. Senior Executives performance shall be evaluated as follows:
   - The Bank shall set annual targets of CEO and his Deputy as KPIs upon setting the annual plan and Bank’s targets at the beginning of each year.
   - CEO shall approve targets and KPIs of Senior Executives reporting to him and Group managers shall prove the targets of their subordinates.
   - The performance of CEO and his deputy shall be evaluated by the Committee in accordance with KPIs specified at the beginning of the year.
   - The performance of other Senior Executives and Directors shall be evaluated by their direct manager in accordance with evaluation process applicable in the Bank. The committee shall supervise evaluation process to evaluate remuneration of Senior Executives.
5 MANAGEMENT COMMITTEES

Management Committees are established for the purpose of recommending, deciding, approving and/or monitoring key topics in their respective areas of specialization. Equally importantly, they provide a platform for discussion between top managers on important business and control areas for the Bank.

At ARB, Management Committees are defined as follows:

- **Level 1 Management Committees**: These are Committees which report directly to Board Committees. The establishment or elimination of Level 1 Committees must be approved by the Bank's CEO, with the exception of Compliance and Risk Committees which must be approved by Board of Directors.

- **Level 2 Management Committees**: These are defined as Committees which report into Level 1 Management Committees. The establishment or elimination of additional Level 2 Committees must be approved by the Bank's CEO and the corresponding Level 1 Committee, with the exception of Compliance and Risk Committees which must be approved by Board of Directors.

5.1 General provisions of meetings and quorum for all Management Committees

These general provisions are valid for all Management Committees:

**Formation and composition:**
- The CEO shall establish Management Committees to enable the Bank's management to perform their responsibilities effectively. Note: All Compliance and Risk Committees cannot be established by the CEO and need to be established by the Board.
- The Chairman of the Management Committees is designated in the charter of each Committee.
- The term of individual participation in Management Committees is a function of the position held by the individual. A change in an employee's function shall directly result in the individual's replacement on the relevant Management Committees by the employee taking over the function.
- The Secretary shall be the authorized channel of communication of all Committee decisions.

**Meetings:**
- All the annual meetings of the Committees shall be scheduled at the beginning of each year.
- The meetings' agenda should be determined by the Chairman of the Committee, and shall be provided, via the Secretary of the Committee, to the Committee one week in advance with the accompanying document for the meeting. In urgent cases the Chairman can decide to have the agenda and/or the accompanying documents forwarded within a shorter period of time. Meetings may be held without notice if all of the members waive notice.
- The Committee may conduct meetings through video or teleconferencing or by circulation, provided that meeting in person is the normal standard.
- The quorum for the meeting is the majority of Committee members. Members may delegate another member to attend Management Committee meetings and vote on their behalf. The
Secretary of each Management Committee shall record attendance, confirm at the beginning of each meeting whether quorum is achieved and shall minute the proceedings and resolutions.

- The Committees must act upon the authorities as stipulated in the Bank's Delegation of Authority Matrix.
- The decision-making process is through consensus and when there is no consensus; decisions shall be reached by a simple majority decision by a voting process, except for the Credit Committee, which requires an unanimous decision to approve any credit application. If there is a voting deadlock, the chairperson or the acting Chairperson shall have the casting vote, or escalate to the Higher Management Committee as deemed appropriate by the Chairman.
- Minutes of meetings shall be approved by the Chairman of the Management Committee within a week of the Management Committee meeting and shall then be circulated via email to all executives for approval. Once the Secretary has received the approval of two additional executives (apart from the Chairman), the Minutes are deemed to be final. A copy shall then be distributed to all Management Committee members, and originals kept on record by the Secretary.
- Meeting minutes must include any votes made during the meetings, including objections or abstention from voting.
- The maximum number of decision taken by circulation shall be specified at the beginning of each year.

**Reporting line and performance:**

- The Management Committee Chairman shall report formally to the CEO on the Committee's proceedings after each meeting on all matters within its responsibilities.
- Each Management Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and report the result to the Governance Committee.

Management of the Bank may establish additional Working Groups, Steering Committees or Taskforces to facilitate interaction across departments on a temporary basis. These entities may be formed and dissolved according to business needs.

**Level 1 Committees**

**High Management Committee:** The primary purpose of the Committee is to provide a forum for the Bank's Executive managers to monitor and manage the Bank’s financial performance, monitor customer experience, oversee execution of the Bank’s strategic initiatives and resolve issues escalated by other Committees. The Committee reports to the Board Executive Committee.

**Asset Liability Committee (ALCO):** The primary purpose of the Committee is to monitor and manage the balance sheet (asset liability) risk. ALCO’s role is to make strategic decisions regarding the mix and maturities of assets and liabilities and the level of medium/long term profit rate risk ARB shall accept. It shall also review the financial risk and capital management of ARB. The Committee reports to the Board Executive Committee.

**Credit Committee:** The purpose of the Committee is taking credit decisions and monitoring credit activities within the discretionary authority delegated by the Board. The Credit Committee's role is also to periodically review and provide constructive recommendations on the credit policies, guidelines, processes and the future direction of credit/investment activities at ARB for review and
decision of the Board wherever applicable. The Committee reports to the Board Executive Committee.

Risk Management Committee: The purpose of the Committee is to review how effectively the Bank’s businesses groups are managing their risks, and to provide strategic and tactical direction for the management of risks. The Committee must ensure the adequate involvement of Internal Audit when/where necessary. The Committee reports to the Board Risk Committee.

Retail Risk Committee: The purpose of this Committee is to review the retail portfolio credit performance, to analyze the changes and to determine and decide implications for effective portfolio management. The Committee reports to the Board Risk Management Committee.

Compliance Committee: The purpose of the Committee is to oversee the compliance risks in the Bank, ensure that the Bank’s management understands compliance risks and to have in place appropriate policies and procedures to manage such risks. The Committee shall review actions taken to ensure a robust and consistent compliance system is in place, promote a high compliance culture, and assist the Audit & Compliance Committee in ensuring compliance. The Committee reports to the Board Audit & Compliance Committee.

Project Portfolio Committee: The purpose of this Committee is to be the custodian of all the investments allocated by the Board for the fulfillment of ARB’s Corporate Strategy, and to approve and track projects which are linked to this. The Committee reports to the Executive Committee.

Micro, Small and Medium Enterprises (MSME) Steering Committee: the purpose of this committee is for ARB to have a clear strategic focus on Micro, Small & Medium Enterprises (MSME) Banking in ARB in line with ARB overall medium term plans, SAMA regulations & Vision 2030 mandates.

Business Continuity Management Committee (BCMC): the purpose of this committee is to oversee the bank’s Business Continuity program in order to reduce the business interruption risk in all bank activities and enable proactive actions to be taken for every business interruption to the bank’s KSA & overseas activities.

Level 2 Committees:

Procurement Committee: The purpose of the Committee is to oversee the tendering and procurement practices of ARB. It is responsible for reviewing and approving all purchases as per the Delegation of Authority. The Committee reports to the High Management Committee.

Remedial Committee: The purpose of the Committee is to oversee the management of outstanding past due debts and to decide or recommend the appropriate solutions and decisions for recovery of non-performing debts. The Committee reports to the Credit Committee.

Operational Risk Committee: The purpose of the Committee is to exercise oversight and monitoring of all the operational risk matters. The Committee must ensure the adequate involvement of Internal Audit when/where necessary. The Committee reports to the Risk Management Committee.
**Fraud Control Committee:** The purpose of the Committee is to set the Bank policy to combat fraud; and should ensure that measures and procedures included in the Bank strategy for fraud control are applied effectively. The Committee reports to the Risk Management Committee.

**Information Security Steering Committee:** The purpose of the Committee is to oversee, enhance and support the Information Security activities in ARB. The Committee reports to the Risk Management Committee.

### 5.2 Board and Management Level Authorities

The purpose of the ARB Authorities Matrix is to detail the specific authorities that the Board of Directors chooses to delegate to other Board Committees or the management of the Bank. The Authorities Matrix defines delegated authorities across the following categories: legal and organization, strategy, human resources and compensation, audit, financial planning and reporting, dividends, treasury, risk management, procurement, policies and procedures, and credit

The Authorities Matrix shall be made available on the Bank's internal intranet.

The Chief Governance and Legal Officer is the custodian of the Authorities Matrix. The Board shall approve any updates or amendments to the Authorities Matrix. Any updates or amendments required may be requested by the CEO to the Governance Committee which will recommend changes to the Board of Directors.

Failure to respect the authority levels defined in the Authorities Matrix shall result in disciplinary action taken against the offending party, as deemed appropriate by the Board Governance Committee.

The re-delegation by a decision party of his/its authority to a lower ranked employee or Committee shall be considered a breach of the Delegation of Authority, unless specifically authorized by the Delegation of Authority or a Board of Directors-approved policy.
6 SUBSIDIARY GOVERNANCE FRAMEWORK

Al Rajhi Bank has holdings in five distinct types of subsidiary businesses, and specifically has a shareholding in ten separate legal entities.

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Subsidiary</th>
<th>Business focus</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent business - based on regulatory requirements</td>
<td>Al Rajhi Capital</td>
<td>Brokerage, Asset mgmt., Investment Banking</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Al Rajhi Malaysia</td>
<td>Full Islamic bank</td>
<td>100%</td>
</tr>
<tr>
<td>Foreign bank branch</td>
<td>Al Rajhi Kuwait</td>
<td>Islamic banking branch</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Al Rajhi Jordan</td>
<td>Islamic banking branch</td>
<td>100%</td>
</tr>
<tr>
<td>Operating company</td>
<td>Al Rajhi Development Company</td>
<td>Hold credit collateral assets</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Al Rajhi for Administrative Services Company</td>
<td>Contractual staffing services</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Al Rajhi Takaful Agency</td>
<td>Insurance direct sales</td>
<td>99%</td>
</tr>
<tr>
<td>Strategic investments – minority holdings in complementary businesses</td>
<td>Al Rajhi Takaful</td>
<td>Insurance</td>
<td>22.5%</td>
</tr>
<tr>
<td></td>
<td>Al Hayat</td>
<td>Investments Kuwait</td>
<td>10%</td>
</tr>
<tr>
<td>Fund</td>
<td>Al Rajhi Bank's Staff Fund</td>
<td>Social services to employees of the Bank</td>
<td>100%</td>
</tr>
</tbody>
</table>

Al Rajhi Bank shall deploy a governance model across these subsidiaries based on four principles:

- Adherence to the constraints of the relevant regulatory authorities (e.g., SAMA, Central Banks)
- Maximizing the Group's influence in setting the direction and maintaining control
- Tailoring governance mechanisms to the specific needs of each type of subsidiary business
- Ensure scalability to allow the model to accommodate future Al Rajhi subsidiaries
Three types of individuals in Al Rajhi Bank have been defined to manage the bank’s subsidiaries and branches

1. Accountable Person: An ARB individual who is formally involved in the subsidiary’s Board or Management Committees either as a member or a permanent invitee

2. Responsible Person: An ARB employee in Head Office to whom subsidiary/branch businesses report (e.g., Treasury) and who typically provide group services to the subsidiary entity (e.g., HR, IT). Its main responsibilities are
   • Ensuring appropriate monitoring of subsidiary/branch performance and controls
   • Providing support and consultation to business and non-business functions
   • Resolving queries/requests from subsidiary/branches when these are raised
   • Participating in quarterly performance meeting with subsidiary/branch

3. Contact Person: An ARB employee in Head Office who acts as the day-to-day contact for the subsidiary entities. This Contact Person typically reports into the Responsible Person. Its main responsibilities are
   • Acting as the day-to-day contact for the subsidiary entities
   • Helping the international representative person navigate the organization
   • Supporting the Accountable Persons to take key decision regarding subsidiary/branch
   • Conducting and ensure regular touch points meeting are conducted
   • Ensuring high quality reporting and annual planning documents are prepared in a timely manner

The Contact Person is formally appointed by his Group GM, and any change in the appointment should be shared with the Governance Unit, as well as the respective GM in the Subsidiaries and Branches.
This framework is detailed in the following sections of the manual.

6.1 Independent businesses – based on regulatory requirements

6.1.1 Foreign Bank Subsidiary in Malaysia

The ARB Group CEO shall be responsible for the oversight of Al Rajhi Bank’s foreign bank subsidiary in Malaysia. This oversight will be achieved primarily through membership or participation of the Board of Directors, Board Committees and Management Committees.

The participation of individual members of ARB Group in ARB Malaysia Committees has been defined below:

Exhibit C: Foreign Bank Subsidiary Governance Framework – Committee Involvement in ARB Malaysia

Note: The CEO will be a Board member for Foreign Bank subsidiaries. However, the Bank may appoint other members of the ARB management team as Board members based on their expertise and/ or experience in a particular local market.

At the management level, operational involvement and control shall be achieved through a matrix reporting structure, in which most Functions in ARB Malaysia will have a dual reporting line, to both the ARB Malaysia CEO, and the ARB Group GM for their respective function. The responsibilities
towards the ARB Group GM vary by function, depending on its characteristics, and have been defined below:

**Exhibit D: ARB Malaysia Governance Framework – Management reporting to ARB Group**

**Responsible Persons**

In addition to this, each function in ARB Malaysia will have a Contact Person in ARB Group, which will serve as a day-to-day point of contact. The individual responsibilities of the Contact Person have been outlined above.
The decision rights and information requirements related to the reporting lines for each of the Al Rajhi Bank Group roles are outlined below:
Exhibit F: ARB Malaysia Governance Framework – Management reporting to ARB Group
Responsible Persons – Decision Rights (I)

<table>
<thead>
<tr>
<th>Person resp. KSA</th>
<th>ARBM rep.</th>
<th>Contact person KSA</th>
<th>Frequency w. resp. person</th>
<th>Decision rights</th>
<th>Information required</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>CEO</td>
<td>Director Business Planning</td>
<td>Min. 1 H/month (by video conf.)</td>
<td>Pre-approve subsidiary strategy(^1)</td>
<td>Subsidiary strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pre-approve subsidiary annual plan &amp; budget(^7)</td>
<td>Subsidiary plan and budget</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pre-approve management scorecard and KPIs</td>
<td>Monthly performance reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Monitor subsidiary CEO performance monthly</td>
<td>Requests for L1 organization changes or L1 appointments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Intervene on performance, when required</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pre-approve L1 (i.e., direct reports to the CEO of the subsidiary) organizational changes(^7)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pre-approve L1 appointments to subsidiary(^7)</td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td>Director of Retail Banking</td>
<td>Retail Contact Person (e.g. Global Head Retail Products and Segments)</td>
<td>Min. 1 H/month (by video conf.)</td>
<td>Pre-approve retail annual plan &amp; budget(^1)</td>
<td>Retail plan &amp; budget</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Monitor retail banking performance</td>
<td>Monthly performance reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Intervene on performance, when required</td>
<td>Proposed org. changes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pre-approve L2 (i.e., two levels below the CEO of the subsidiary) retail org changes(^2)</td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td>EVP – Corporate &amp; Investment Banking</td>
<td>Corporate Contact Person (e.g. Senior Director International Corporate Banking)</td>
<td>Min. 1 H/month (by video conf.)</td>
<td>Pre-approve corporate annual plan &amp; budget</td>
<td>Corporate plan &amp; budget</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Monitor corporate banking performance</td>
<td>Monthly performance reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Intervene on performance, when required</td>
<td>Proposed org. changes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pre-approve L2 corporate org. changes(^2)</td>
<td></td>
</tr>
</tbody>
</table>

Note 1. Final approval, in line with regulations, provided by subsidiary bank’s Board of Directors
Note 2. Final approval, in line with regulations, provided by subsidiary bank’s management
Exhibit G: ARB Malaysia Governance Framework – Management reporting to ARB Group
Responsible Persons – Decision Rights (II)

<table>
<thead>
<tr>
<th>Person resp. KSA</th>
<th>ARBM rep.</th>
<th>Contact person KSA</th>
<th>Frequency w. resp. person</th>
<th>Individual reporting line decision rights</th>
<th>Information required</th>
</tr>
</thead>
<tbody>
<tr>
<td>COO</td>
<td>COO</td>
<td>• Shared Services Contact Person (e.g. AGM - Banking Operations, CIO)</td>
<td>• Min. 1 H / month</td>
<td>• Pre-approve Ops, IT annual plan, budget, appointments and org. change</td>
<td>• Ops, IT plan &amp; budget, Monthly performance reports, Proposed org changes, Proposed candidates</td>
</tr>
<tr>
<td>GM HR</td>
<td>Director of HR</td>
<td>• HR Contact Person (e.g. Global HR Senior Advisor)</td>
<td>• Min. 1 H / month</td>
<td>• Pre-approve HR annual plan, budget, appointments and org. change</td>
<td>• HR plan &amp; budget, Monthly perf. reports, Proposed candidates</td>
</tr>
<tr>
<td>CFO</td>
<td>CFO</td>
<td>• Finance Contact Person (e.g. Director International Business - Financial Control)</td>
<td>• Min. 1 H / month</td>
<td>• Pre-approve subsidiary annual budget</td>
<td>• Subsidiary annual budget</td>
</tr>
<tr>
<td>GM Treasury</td>
<td>Director of Treasury</td>
<td>• Treasury Contact Person (e.g. Senior Director Strategic Planning and Market Intelligence)</td>
<td>• Min. 1 H / month</td>
<td>• Participate in ALCO decisions (in ALCO), Monitor subsidiary Treasury key metrics</td>
<td>• Monthly performance reports</td>
</tr>
<tr>
<td>GM of Sharia</td>
<td>Director of Sharia</td>
<td>• Sharia Contact Person (e.g. AGM - Sharia Counsel)</td>
<td>• Min. 1 H / month</td>
<td>• Monitor subsidiary Sharia compliance</td>
<td>• Updates on Sharia approvals (e.g., products)</td>
</tr>
<tr>
<td>CIA</td>
<td>CIA</td>
<td>• IIA Contact Person (e.g. Senior Director Correspondent Banking, Overseas Branches and Subsidiaries)</td>
<td>• Min. 1 H / month</td>
<td>• Pre-approve annual audit report, Monitor audit corrective actions</td>
<td>• Subsidiary audit reports, Progress on issues</td>
</tr>
<tr>
<td>Group CCDO</td>
<td>CCO</td>
<td>• Compliance Contact Person (e.g. Senior Dir Correspondent Banking, Overseas Branches and Subsidiaries)</td>
<td>• Min. 1 H / month</td>
<td>• Ensure standardized compliance approach, Provide support in compliance coordination</td>
<td>• Subsidiary compliance activities</td>
</tr>
<tr>
<td>Chief Risk Officer</td>
<td>Chief Risk Officer</td>
<td>• Risk Management Contact Person (e.g. Chief Retail and SME Risk Officer)</td>
<td>• Min. 1 H / month</td>
<td>• Pre-approve subsidiary risk appetites &amp; limits, Monitor subsidiary risk exposures</td>
<td>• Subsidiary risk appetite statements and limits, Monthly risk reports</td>
</tr>
</tbody>
</table>

Note: 1. By Video-conference 2. Final approval, in line with regulations, provided by subsidiary bank’s Board of Directors 3. Final approval, in line with regulations, provided by subsidiary bank’s management

6.1.2 Domestic Investment Subsidiaries

Board shall appoint its representatives from Board members or management to be responsible for the governance oversight of Al Rajhi’s domestic investment subsidiaries (e.g., Al Rajhi Capital).

In accordance, with domestic regulations on operational separation, this oversight will be achieved through membership of the subsidiary’s Board of Directors.

The Board representatives on the domestic investment subsidiaries shall report to the Al Rajhi Bank’s Executive Committee on the subsidiaries’ performance on a quarterly basis.

In addition, to facilitate enhanced compliance, the Head of Compliance of Al Rajhi Bank shall be a permanent invitee in the domestic investment subsidiaries’ Compliance Committee meetings.

To facilitate enhanced governance, the Chief Governance and Legal Officer of Al Rajhi Bank shall be a permanent invitee in domestic investment subsidiaries’ Governance Committee meetings.
To facilitate enhanced governance, the Chief Internal Audit of Al Rajhi Bank shall participate in domestic investment subsidiaries' Governance Committee meetings.

### 6.2 Foreign bank branches

The ARB Group CEO shall be responsible for the oversight of Al Rajhi Bank's foreign bank branch in Jordan. This oversight will be achieved primarily through membership or participation of Management Committees.

The participation of individual members of ARB Group in ARB Jordan Committees has been defined below:

**Exhibit F: Foreign Bank Subsidiary Governance Framework – Committee Involvement in ARB Jordan**

<table>
<thead>
<tr>
<th>ARB Jordan Governance Committees</th>
<th>ARB Group Representatives</th>
<th>Nature of involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharia Board</td>
<td>Representative of Treasury Group</td>
<td>A representative of the Group Treasury is a member of the Management Asset Liability Committee</td>
</tr>
<tr>
<td>Asset Liability Committee (ALCO)</td>
<td>GM Corporate Banking Group</td>
<td>GM Corporate Banking and Senior Director of International corporate banking are members of the main Credit Committee for Corporate</td>
</tr>
<tr>
<td>Corporate Credit Committee</td>
<td>Senior Director/ International corporate banking</td>
<td></td>
</tr>
<tr>
<td>Retail Credit Committee</td>
<td>Head of Procurement Dept.</td>
<td>Head of Procurement is a member of the Purchasing Committee</td>
</tr>
<tr>
<td>Purchasing Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Risk Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisioning Committee</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At the management level, operational involvement and control shall be achieved through a matrix reporting structure, in which most Functions in ARB Jordan will have a dual reporting line, to both the ARB Jordan CEO, and the ARB Group GM for their respective function. The responsibilities towards the ARB Group GM vary by function, depending on its characteristics, and have been defined below:
In addition to this, each function in ARB Jordan will have a Contact Person in ARB Group, which will serve as a day-to-day point of contact. The individual responsibilities of the Contact Person have been outlined above.
The decision rights and information requirements related to the reporting lines for each of the Al Rajhi Bank Group roles are outlined below:

**Exhibit I: ARB Jordan Governance Framework – Management reporting to ARB Group Responsible Persons – Decision Rights (I)**

<table>
<thead>
<tr>
<th>Person resp. KSA</th>
<th>ARBJ rep.</th>
<th>Contact person KSA</th>
<th>Frequency w. resp. person</th>
<th>Individual reporting line decision rights</th>
<th>Information required</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>CEO</td>
<td>Director Business Planning</td>
<td>Min. 1 H/month (by video conf.)</td>
<td>Pre-approve branch strategy¹ Pre-approve branch annual plan &amp; budget¹ Monitor branch CEO performance; monthly reports; when required Approve all organizational changes Approve L1 appointments in branches</td>
<td>Branch strategy Branch plan and budget Monthly performance reports Requests for all organization change or L1 appointments</td>
</tr>
<tr>
<td>GM Retail</td>
<td>Retail Banking</td>
<td>Retail Contact Person (e.g. Global Head Retail Products and Segments)</td>
<td>Min. 1 H/month (by video conf.)</td>
<td>Pre-approve retail annual plan &amp; budget¹ Monitor retail banking performance Intervene on performance, when required</td>
<td>Retail plan &amp; budget Monthly performance reports</td>
</tr>
<tr>
<td>GM Corporate</td>
<td>Corporate Banking</td>
<td>Corporate Contact Person (e.g. Senior Director International Corp Banking)</td>
<td>Min. 1 H/month (by video conf.)</td>
<td>Pre-approve corporate annual plan &amp; budget¹ Monitor corporate banking performance Intervene on performance, when required</td>
<td>Corporate plan &amp; budget Monthly performance reports</td>
</tr>
</tbody>
</table>

¹ Final recommendation for approval will be provided by the responsible person in ARB KSA as per the above table. Note: Contact person is a KSA employee that manages the daily relations with the international branches. ARB Jordan Representative Person - Primarily Responsible Official.
Exhibit J: ARB Jordan Governance Framework – Management reporting to ARB Group Responsible Persons – Decision Rights (II)

<table>
<thead>
<tr>
<th>Person resp. KSA</th>
<th>ARBJ rep.</th>
<th>Contact person KSA</th>
<th>Frequency w. resp. person</th>
<th>Individual reporting line decision rights</th>
<th>Information required</th>
</tr>
</thead>
<tbody>
<tr>
<td>COO</td>
<td>Support</td>
<td>Shared Services Contact Person (e.g. AGM - Banking Operations, CIO)</td>
<td>Min. 1 H/month</td>
<td>Pre-approve Ops, IT annual plan &amp; budget</td>
<td>Ops, IT plan &amp; budget, Monthly performance reports</td>
</tr>
<tr>
<td>Chief HR Officer</td>
<td>Human Resources</td>
<td>HR Contact Person (e.g. Global HR Senior Advisor)</td>
<td>Min. 1 H/month</td>
<td>Pre-approve annual plan and budget</td>
<td>HR plan &amp; budget, Monthly perf. reports</td>
</tr>
<tr>
<td>CIA</td>
<td>Internal Audit</td>
<td>IA Contact Person (e.g. Senior Director Correspondent Banking, Overseas Branches and Subsidiaries)</td>
<td>Min. 1 H/month</td>
<td>Review annual audit report</td>
<td>Branch audit reports, Progress on issues</td>
</tr>
<tr>
<td>Chief Compliance Officer</td>
<td>Compliance Contact Person (e.g. Senior Dir Correspondent Banking, Overseas Branches and Subsidiaries)</td>
<td>Min. 1 H/month</td>
<td>Oversee all compliance activities</td>
<td>Branch compliance activities</td>
<td></td>
</tr>
<tr>
<td>Chief Risk Officer</td>
<td>Risk</td>
<td>Risk Contact Person (e.g. Chief Retail and SME Risk Officer)</td>
<td>Min. 1 H/month</td>
<td>Set branch risk appetites and limits</td>
<td>Branch risk appetite statements and limits, Monthly risk exposure reports</td>
</tr>
<tr>
<td>CFO</td>
<td>Finance</td>
<td>Finance Contact Person (e.g. Director International Business - Financial Control)</td>
<td>Min. 1 H/month</td>
<td>Pre-approve branch annual budget</td>
<td>Branch annual budget</td>
</tr>
<tr>
<td>GM Treasury</td>
<td>Treasury</td>
<td>Treasury Contact Person (e.g. Senior Director Strategic Planning and Market Intelligence)</td>
<td>Min. 1 H/month</td>
<td>Monitor branch Treasury key metrics</td>
<td>Monthly performance reports</td>
</tr>
</tbody>
</table>

1. By Videoconference
2. Final recommendation for approval will be provided by the responsible person in ARB KSA as per the above table
Note: Contact person is a KSA employee that manages the daily relation with int. branches
ARB Jordan Representative Person - Primarily Responsible Officer
The ARB Group CEO shall be responsible for the oversight of Al Rajhi Bank's foreign bank branch in Kuwait.

At the management level, operational involvement and control shall be achieved through a matrix reporting structure, in which most Functions in ARB Kuwait will have a dual reporting line, to both the ARB Kuwait CEO, and the ARB Group GM for their respective function. The responsibilities towards the ARB Group GM vary by function, depending on its characteristics, and have been defined below:

Exhibit K: ARB Kuwait Governance Framework – ARBK management reporting to ARB Group

Responsible Persons
Exhibit L: ARBK Kuwait Governance Framework – ARBK management reporting to ARB Group Contact Persons

Exhibit M: ARBK Kuwait Governance Framework – ARBK management reporting to ARB Group Responsible Persons – Decision Rights

1. Final recommendations for approval will be provided by the responsible person in ARB KSA as per the above table.

Note: Contact person is a KSA employee who manages the daily relation with the international branches.
6.3 Operating companies

The ARB subsidiaries classified as Operating Companies and Fund shall be governed directly as internal departments within the Bank. Specifically, these Operating Companies shall:

- Adhere to all of the Bank’s policies and procedures, unless a specific exception has been approved by the ARB Board of Directors
- Adhere to the ARB Authorities Matrix as approved by the ARB Board of Directors
- Leverage the Bank’s internal departments for all required services including Risk Management, IT, Human Resources, Compliance and Audit, as any other department
The governance framework for the existing Operating Companies is outlined below:

**Exhibit O: Operating and Fund Companies Governance Framework**

<table>
<thead>
<tr>
<th>Description of activities</th>
<th>Al Rajhi Dev. Company</th>
<th>Al Rajhi Admin Services</th>
<th>Al Rajhi Takaful Agency</th>
<th>Al Rajhi Bank's Staff Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit collateral assets holding</td>
<td></td>
<td></td>
<td></td>
<td>Social services to Bank employees</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governance mechanisms</th>
<th>Operational Management</th>
<th>Board of Directors</th>
<th>Board of Directors</th>
<th>Board of Directors</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Accountable Persons</th>
<th>COO (primary)</th>
<th>COO</th>
<th>GM Retail</th>
<th>COO</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFO</td>
<td>GM HR</td>
<td>CFO</td>
<td>1 external member</td>
<td>2 external members</td>
</tr>
<tr>
<td></td>
<td>GM Retail</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Involvement of additional ARB rep. | N/A                        | CFO to provide financial control | N/A                  | CHRO as permanent invitee to the BoD |

<table>
<thead>
<tr>
<th>Interaction model to be set up</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Monthly MIS to be shared with representatives, and CEO</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Quarterly update on activities to be shared with HMC (1 page)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Quarterly meeting of accountable representatives</td>
</tr>
</tbody>
</table>

**6.4 Strategic investments**

Al Rajhi Bank holds a number of Strategic Investments which have been made to complement the bank's core business activities. Specifically, the governance for Strategic Investments shall operate as follows:

- Governance oversight shall be conducted primarily through Board membership
- Oversight shall reside with the business unit that benefits most from the Strategic Investment
- Specifically, governance responsibility shall reside with the Level 1 Senior Management who will represent Al Rajhi Bank through Board membership of the Strategic Investment
- The Level 1 Senior Management shall report to the Higher Management Committee on the returns (financial, strategic) from the investment on an annual basis
The governance framework and rationale for the existing Strategic Investments is outlined below:

<table>
<thead>
<tr>
<th>Investment</th>
<th>Strategic benefit</th>
<th>Governance responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Al Rajhi Takaful</td>
<td>• Source of insurance products and services that Al Rajhi Bank can potentially cross-sell to its new and existing customers</td>
<td>• GM Retail Banking Group</td>
</tr>
<tr>
<td>Al Hayat</td>
<td>• Source of privileged access to the Kuwait. Specifically, potential access to market intelligence, domestic and cross-border financing opportunities, risk related information to include in credit decisions.</td>
<td>• Kuwait Chief Executive Officer</td>
</tr>
</tbody>
</table>

6.5 **Subsidiary governance performance metrics**

To ensure the effective involvement in fulfilling subsidiary governance responsibilities and executing group decision rights, where appropriate, KPIs (key performance indicators) shall be set for individuals with group oversight roles.
7 KEY POLICIES AND CONTROLS

ARB's policies, procedures and control mechanisms are core enablers of good Corporate Governance. This section outlines the policy and control guidelines which shall support the institution of effective Corporate Governance

7.1 Human Resources Policies

7.1.1 HR policy

ARB recognizes that its success is dependent on its ability to recruit, develop and retain talent, and the motivated and engaged employees are a foundation of solid Corporate Governance practices. To achieve this objective, the Bank shall strive to implement best-in-class HR capabilities underpinned by comprehensive and clear policies covering recruitment, development, performance management, compensation, rights and obligations of staff, and administrative services.

The ARB HR policies shall organize the work of human resources of the Bank and organize the relationship between the Bank and its employees. In addition, the policies shall clarify the responsibilities and rights of both parties so as to provide a work environment governed by clarity and balance in the treatment of all employees, which leads to an increase in the productivity and spirit of institutional belonging.

7.1.2 Code of Conduct

The conduct of the Bank and that of its employees is one of the most important reputational factors playing into the Bank’s success and development. ARB considers that it is essential that all employees maintain the highest ethical standards of integrity, fulfill their responsibilities in a professional manner, and comply with all laws and regulations in relation with the Bank’s activities.

ARB shall operate a single Code of Conduct across all of its subsidiary entities. The ARB Code of Conduct shall seek to establish and promote solid ethical and professional standards among all employees that are commensurate with the Bank’s position and reputation as a leading Islamic banking institution.

The Code of Conduct shall outline expectations on integrity, respect for rules and regulations, compliance with Sharia, treatment of confidential information and professionalism in the work environment.

All employees are expected to review and acknowledge understanding of the Code of Conduct on an annual basis. The Board Governance Committee shall ensure a mechanism is in place to achieve that.

7.1.3 Conflicts of Interest

ARB recognizes that situations of Conflict of Interest may arise with any employee of the Bank. The Bank’s Conflict of Interest policy shall ensure that all employees are enabled to recognize such
situations and act according to clear guidelines to prevent any actions that go against the prioritization of the Bank’s interests.

The policy shall outline the most common situations from which a Conflict of Interest may arise and indicate how the concerned employees must act to ensure the preservation of the Bank’s interests.

ARB shall continuously maintain and monitor Conflicts of Interest Registry which shall be owned by the Chief Governance and Legal Officer, populated by the Governance Committee, and signed by Board members on an annual basis.

Board members shall observe the following specifics:

- Members of the Board shall declare forthwith, in writing, to the Chairman of the Board any other official or professional position(s) held by them at any point during the term of their membership in the Board.
- Members of the Board shall not allow other direct or indirect professional relationships to affect in any way the conduct of their activities for the Bank, and vice versa. Where a member of the Board, using his best judgment, comes to the conclusion that he may have a conflict of interest with regard to a decision to be taken by the Board, he shall immediately declare so to the Chairman of the Board.
- A member or the Chairman of the Board having declared a conflict of interest concerning a decision of the Board shall volunteer to refrain from taking part in the discussion of such transaction in the Board and shall abstain from voting on such decision.
- Members of the Board shall not apply for, receive or accept from any source any advantage, direct or indirect, which is in any way connected with their mandate in the Bank.

### 7.2 Risk management Policies

ARB understands that a core part of its business involves taking risks, and understands that the identification and management of risk is a key foundation of the Bank’s approach to sound Corporate Governance, and shall be foster across all the Group’s activities.

The CRO shall report directly to the CEO and should be given appropriate powers and should have access to the Board through submission of reports. The CRO should be independent from the business management.

If the CRO is removed from his position for any reason or his resignation is accepted, this should be done with the prior approval of the Board. The bank should notify SAMA in writing.

#### 7.2.1 Credit risk

To address the risk of loss due to borrower or counterparty default, ARB shall operate an organization structure with clear segregation of responsibilities for sales, administration, approval and control of credit activities to various specialist divisions and committees. Credit operations shall be governed by a set of policies and procedures to ensure that all aspects are adequately covered.
7.2.2 Market risk

ARB's market risk approach shall be designed to protect the Bank against unforeseen market losses and contribute to earnings stability through the independent identification, assessment and understanding of the market risks including rate of return risk, equity price risk, foreign exchange risk, and commodities price risk. The Bank shall to develop transparent, objective and consistent market risk information as a basis for sound decision making.

7.2.3 Liquidity risk

ARB shall operate a liquidity policy designed to ensure that enough liquid assets are maintained to meet liabilities as they arise and that the liquidity position is monitored sufficiently through dealing operations. The liquidity risk policy shall incorporate all associated SAMA directives.

7.2.4 Operational risk

ARB's Operational risk policy shall cover: internal or external frauds, inappropriate employment practices or workplace safety, inadequate client, product or business practices, damages to or destruction of physical assets or operating sites, failures in IT system, telecoms or other technologies, or failure or errors in transaction processing.

The operational risk policy at ARB shall aim to: Establish an operational risk framework and governance, introduce risk identification systems and establish comprehensive and integrated operational risk reporting.

7.3 Strategy and Planning

ARB recognizes that sound control is based on a clear vision and robust processes. The Bank's Board shall thus ensure that such process is in place, and specifically that strategy and planning shall incorporate the following:

- Bank-wide multi-year strategy developed and approved by the Board which outlines the Bank's strategic objectives across geographies and the specific market and internal activities that the Bank will undertake to achieve those objectives.
- Bank-wide and departmental annual business plans and budgets aligned to the Bank's strategic objectives and outlining market, financial, customer and operational activities, targets, and risk-weighted returns

7.4 Governance

ARB shall put in place the function of Chief Governance and Legal Officer (CGLO) who would act as the executive arm of the Board Governance Committee at management level. The CGLO shall be in charge of ensuring that the Bank continuously follows sound corporate governance practices.

In performing his responsibilities, the CGLO shall have the right to attend all Committee meetings as observer and may request to examine the minutes of all Committee meetings as part of assessing their effectiveness.
The CGLO is to be the custodian of the corporate governance manual, the delegation of authority, all policies & procedures and the conflict of interest registry. As part of his custodianship of the delegation of authority, the CGLO has the particular responsibility to ensure that the approved organization structure is pursued and the agreed upon positions staffed by the Nomination and Compensation Committee, and HR.

The CGLO shall be in charge of Governance, the Legal department and the Board secretariat and shall report to the Governance Committee with a dotted reporting line to the CEO.

7.5 Internal Audit

ARB views Internal Audit as an agent for continually enhancing the Bank’s governance, risk management and controls. ARB’s Board shall ensure that the Audit function is always adequately staffed with the right caliber and number of resources to conduct its responsibilities effectively.

Internal Audit’s activities shall cover all aspects of the Bank activities as follows: Branches Audit (including Tahweel centers and Cash centers); Credit Audit; IT Audit; Operations and Financial Audit; Regulator Assignments & Special Audits, and finally, Treasury Risk Management and Investment Audit.

Internal Audit is managed by a Chief Internal Auditor whose appointment shall be approved by the Audit & Compliance Committee. The Chief Internal Auditor shall report to Audit & Compliance Committee, and administratively to the CEO.

7.6 Compliance

**Compliance Group Concept:** Complying with laws, rules and regulations is one of the most important factors for the success of financial institutions. ARB Compliance Group is responsible to ensure the bank and its international branches and subsidiaries’ compliance with all applicable regulatory requirements.

Compliance Group is an independent function that identifies, assesses and provides advice, monitors and reports on bank’s non-compliance risks of and its exposure to legal and administrative penalties, financial loss, or what may undermine the bank’s reputation due to its failure to abide by the regulations and controls or sound standards of conduct and professional practice. This function shall be applied by Compliance Group

**The Importance of Compliance Function:** Compliance function within the banks is one of the fundamentals and factors for their success due to the essential role it plays in maintaining their reputation, credibility, the interests of shareholders and depositors, and protecting them from penalties as a result of performing or participating the prevention of risks, especially systematic, reputation and financial penalties risks, establish a mechanisms and frameworks to ensure prevention of crimes, in particular, its responsibility for combating money-laundering and terrorism financing operations, sanctions and safeguard professional values and practices in the banking business.
Compliance Group at ARB headed by the Group Chief Compliance Officer (GCCO) whose appointed by the board of directors and reports to the Board Audit and Compliance Committee. However, he has direct contact with board of directors, Chairmen of the Board or its members as required by SAMA’s Compliance manual for Saudi banks. Also, he administratively reports to the Chief Executive Officer.

7.7 Fraud Investigations

The Fraud Investigations department shall be responsible for examining activities or data with a suspect nature with the objective to protect bank customers, creditors and shareholders against financial crime, including but not limited to credit card and debit card fraud, bank robbery, counterfeiting, cyber-crime, money laundering, and the use of forged documents.

7.8 Customer Service

Customer Service is important to Governance in that it is the function which is in charge of handling customer complaints. Customer complaints are valuable inputs into ARB’s risk management program and are key indicators of potentially unfair, deceptive, or abusive acts or practices.

In this context, Customer Service shall continuously establish robust consumer complaints tracking, response, and reporting processes such that appropriate steps are taken to respond and resolve customer complaints. Customer Service should analyze the volume and nature of those complaints for trends and report complaints activities periodically to senior management.

Given the importance of consumer complaints as key risk indicators, Internal Audit should periodically evaluate ARB’s customer complaints response processes and consider conducting complaint function-specific reviews.

7.9 Information and Physical Security

7.9.1 Information Security

The confidentiality, integrity and availability of information are essential for ARB to maintain its competitive edge, cash-flow, profitability, legal compliance and commercial image. This makes it necessary for the ARB’s Information Security department to continuously define, document, communicate, implement and audit information systems’ security.

The Information Security department shall be managed by the Head of Information Security who shall report to the Chief Operating Officer.

7.9.2 Physical Security

Physical security of people and assets is a major area of risk management within ARB. The Security and Safety department at ARB shall consistently ensure that proper measures are taken to control the risk of theft and physical harm which is particularly high in banks compared to other industries; especially given that banks handle a large amount of cash transactions.
The Security and Safety department at ARB shall be managed by Properties & Support.

7.10 Internal communication

The main goal of ARB’s internal communication shall be to strengthen the organizational culture and level of commitment Bank employees. Specifically, the internal communication function shall also be responsible, together with the Chief Governance and Legal Officer, for raising awareness and instilling across the Bank of Al Rajhi Bank’s values and Corporate Governance principles.

The Internal Communication department shall ensure that a proper internal communications strategy is in place following the principles of transparency and clarity.

The department shall be managed by a Head of Internal Communications who shall report to the Head Marketing and Customer Service.

The Board has developed written policies for settlement of complaints and disputes that might arise between the bank and its stakeholders. The bank has the following policies and procedures covering this requirement:

- Policy for Treatment of Credit Cards Frauds
- Policy Compensation of customer claims for lost and stolen checks
- Policy for Customers and SAMA ATM Claims
- Policy for Grievance
- Procedure for Customers complaints handling
- Procedure for Customers Complaints handling in branches
- Procedure for Complaints related to call center
- Procedure for Complaints related to ATM transactions
- Procedure for Labor disputes

7.11 Shareholder communication

ARB shall provide adequate and accurate information to its shareholders. The Bank shall enable its Shareholders to make informed decisions about their investment in the Bank.

In order for the market to have an understanding of the business operations and performance, ARB shall aim to provide Shareholders with access to quality information, at minimum in the form of: interim and final results; Annual Reports; Shareholder newsletters; and General Assembly meetings.

All other price sensitive information will be released to the CMA in a timely manner; and shall be published on ARB’s website.

Audit committee as well as NCC annual report should be presented to the company’s General Assembly for discussion. Board report shall include detailed CMA disclosure requirements such as compensation, provision justification, activities of Board members in other Joint Stock Company.
ARB will also provide Shareholders with a comprehensive outline of the Bank's Corporate Governance approach and the ongoing activities designed to enhance Governance across the Group.

The Shareholder Affairs department shall assume the shareholder communication responsibility.

7.12 Rights of Shareholders

7.12.1 Fair Treatment of Shareholders

a) The Board is obliged to seek shareholders’ rights protection to ensure fairness and equality among them.
b) The Board and the Executive Management of the bank is obliged not to discriminate among shareholders who own the same class of shares nor prevent them from accessing any of their rights.
c) The Bank shall specify in its internal policies the procedures that are necessary to guarantee that all shareholders exercise their rights.

7.12.2 Rights related to Shares

All rights related to shares shall be guaranteed to the shareholder, and particularly the following:

a) To obtain his/her portion of the net profits which are to be distributed in cash or through the issuance of shares.
b) To obtain his/her share of the Bank’s assets upon liquidation.
c) To attend the General or Special Shareholders Assemblies, take part in their deliberations and vote on their decisions;
d) To dispose of his/her shares in accordance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations.
e) To enquire and request viewing the books and documents of the Bank, including the data and information related to the activities of the Bank and its operational and investment strategy without prejudice to the interests of the Bank or breach of the Companies Law and the Capital Market Law and their implementing regulations.
f) To monitor the performance of the Bank and the activities of the Board.
g) To hold Board members accountable, to file liability lawsuits against them and appeal for nullification of the resolutions of the General and Special Shareholders Assemblies in accordance with the conditions and restrictions provided in Companies Law and bylaws of the Bank.
h) Preemptive rights to subscribe for new shares issued in exchange for cash unless otherwise specified in the Bank’s bylaws or when Extraordinary General Assembly suspends the preemptive rights as per Article (140) of Companies Law.
i) To record his/her name in the Bank’s shareholders register.
j) To request to view a copy of the Bank’s articles of association and bylaws unless the Bank publishes them on its website; and
k) To nominate and elect the Board members.
7.12.3 **Shareholder Access to Information**

a) The Board shall make available to the shareholder complete, accurate, and non-misleading information to enable him\her to properly exercise his\her rights. Such information shall be provided at the proper times and shall be updated regularly.

b) The method used to provide information to the shareholder shall be clear and detailed and shall include a list of the Bank’s information that the shareholder may obtain. This information shall be made available to the shareholders of the same class.

c) The Bank shall use the most effective methods in communicating with shareholders and shall not discriminate among the shareholders in respect of providing information.

7.12.4 **Communicating with Shareholders**

a) The Board shall ensure communication between the Bank and the shareholders based on the common understanding of the strategic objectives and interests of the Bank.

b) The Chairman of the Board and the Chief Executive Officer shall inform the remaining Board members of the opinions of the shareholders and discuss these opinions with them.

c) No shareholder may intervene in the operations of the Board or the work of the Executive Management of the Bank, unless he\she is a member of its Board or its management team; or unless his\her intervention is through the Ordinary General Assembly according to its powers or within the limits and situations permitted by the Board.

7.12.5 **ELECTING THE BOARD MEMBERS**

a) Upon calling for the general Assembly, the Bank shall announce on Tadawul website information about the nominees for the membership of the Board which shall include the nominees’ expenses, qualifications, skills and their previous current jobs and memberships. The Bank shall make a copy of the mentioned information available in the bank’s head office and its website.

b) Cumulative voting shall be sued in electing the Board, in which it is not allowed to use the voting right of a single share more than once.

c) Voting in the General Assembly shall be confined to the Board nominees whose information has been announced as per paragraph (1) of this Article.

7.12.6 **Distribution of Dividends**

a) The Bank’s bylaws shall prescribe the percentage of the net profits to be distributed to the shareholders after setting aside the statutory reserve and the other reserves.

b) The Board shall establish a clear policy for the distribution of dividends to achieve the interests of the shareholders and the Bank as per the Bank’s bylaws.

c) The shareholder is entitled to receive his\her share of dividends as per the decision of the general Assembly in respect of the distribution of dividends to shareholders or the Board resolution on distributing interim dividends. The resolution shall specify the record date and the distribution date, provided that the resolution shall be executed as per the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.
7.12.7 Rights Related to the Meeting of the General Assembly

General Shareholders Assemblies of the Bank are competent in all of its affairs. A duly-constituted General Assembly represents all shareholders in exercising their powers in respect of the Bank. The General Assembly shall exercise its role in accordance with the provisions of the Companies Law and its Implementation Regulations and the Bank’s bylaws.

Competencies of the Extraordinary General Assembly

7.12.8 The Extraordinary General Assembly shall have the following competencies:

1) Amending the Bank’s bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law;
2) Increasing the bank’s share capital in accordance with the situations provided by the Companies Law and its Implementing Regulations;
3) Decreasing the Bank’s share capital, if it exceeds the bank’s needs or in the event the Bank incurs financial losses, in accordance with the situations provided by the companies Law and its Implementation Regulations;
4) Resolving to form a consensual reserve for the Bank as provided for its bylaws to be set aside for a specific purpose, and the disposal thereof;
5) Resolving to maintain or liquidate the Bank before the end of the term specified in its bylaws;
6) Approving the bank’s shares buy-back;
7) Issuing preferred shares or approving their buying, or converting ordinary shares into preferred shares or converting preferred shares into ordinary shares as per the Bank’s bylaws and the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Join Stock Companies.
8) Issuing debt instruments or financing deeds convertible into shares, and stating the maximum number of shares that may be issued against these instruments or deeds;
9) Allocate shares that are issued upon the capital increase or part of them for the employees of the Bank, and its affiliates or some of them, or any of them; and
10) Suspending preemptive rights of shareholders in subscribing for the capital increase in exchange for cash or giving priority to non-shareholders in cases as deemed in the interest of the Bank if so is provided for in the Bank’s bylaws.

The Extraordinary General Assembly may issue resolutions that fall within the powers of the Ordinary General Assembly, provided that such resolutions are issued in accordance with the issuance requirements of Ordinary General Assembly resolutions which require that the absolute majority of shares be represented at the meeting.

7.12.9 Competencies of the Ordinary General Assembly

Except for the competencies reserved to the Extraordinary General Assembly, the Ordinary General Assembly shall have competencies in all affairs of the Bank, and particularly the following:
1) Appointing and dismissing Board members;
2) Permitting a Board member to have direct or indirect interest in the business and contract that are executed for the Bank’s account, in compliance with the provisions of the Companies Law and its Implementation Regulations;

3) Permitting a Board member to take part in any activities that may lead to competition with the Bank, or competition in any of its activities, in compliance with the provisions of the Companies Law and its Implementation Regulations;

4) Monitoring the compliance of the Board members with the provisions of the Companies Law and its Implementation Regulations, other relevant laws, and the Bank’s bylaws; inspecting any damage that may occur as a result of their violation of such provisions or mismanagement of the affairs of the bank; determining the liability resulting therefrom and undertaking the procedures it deems proper in this regard pursuant to the Companies Law and its Implementation Regulations;

5) Forming the audit committee pursuant to the provisions of the Companies Law and its Implementation regulations;

6) Approving the Bank’s financial statement;

7) Approving the Board report;

8) Deciding on the proposals of the Board with respect to the method of disturbing the net profits;

9) Appointing the external auditors of the Bank, specifying their remunerations, reappointing them, replacing them and approving their reports;

10) Looking into the violations and errors committed by the external auditors of the Bank when performing their duties and any difficulties, reported by the Bank’s external auditors, regarding their empowerment by the Bank’s Board or Management to review the books, records and other documents, statements and clarifications required to perform their duties, and respond to that as it deems appropriate in this regard;

11) Resolving to withhold form setting aside statutory reserve when it reaches an amount equal to (30%) of the Bank’s paid share capital, and resolving to distribute the surplus of such percentage to the Bank’s shareholders in financial years where the Bank doesn’t generate net profits;

12) Using the Bank’s consensual reserve, if such has not been set aside for a specific purpose, provided that using such reserve shall be based on a proposal submitted by the Board and used in ways that benefit the Bank or the Shareholders;

13) Forming other reserves besides the statutory reserve and consensual reserve and disposal of the same;

14) Setting aside amounts form the Bank’s net profits to set up social organizations for the benefit of the Bank’s employees or to assist any such existing establishments in accordance with Article (129) of the Companies Law; and

15) Approving the sale of more than (50%) of the assets of the Bank, whether in one or several transactions within a period of 12 months from the date of the first selling transaction. In case selling these assets includes what falls within the powers of the Extraordinary General Assembly, the approval of the said Assembly is required.

7.12.10 Shareholders’ Assembly

a) The Ordinary General Assembly shall convene in accordance with the situations and circumstances stated in the Companies Law and its Implementation Regulations and the Bank’s bylaws.
b) The Ordinary General Assembly shall convene at least once per year within the six months following the end of the Bank’s financial year.

c) The General and Special Shareholders Assemblies shall convene upon an invitation from the Board in accordance with the situations stated in the Companies Law and its Implementation Regulations and the Bank’s bylaws. The Board shall invite the Ordinary General Assembly to convene upon the request of the external auditor, the Audit Committee or a number of shareholders holding shares equal to at least (5%) of the share capital of the Bank. The external auditor may invite the assembly to convene if the Board does not invite the assembly within thirty days from the date of the external auditors’ request.

d) The date, place, and agenda of the General Assembly shall be announced at least twenty one days prior to the date thereof; the invitation shall be published on the website of Tadawul, the bank’s website and in a daily newspaper distributed in the province where the Bank’s head office is located. The Bank may invite the General and Special Shareholders’ Assemblies to convene using methods of contemporary technologies.

e) The Bank may amend the agenda of the General Assembly within a period between publishing the announcement referred to in paragraph (d) of this Article and the date of convening the General Assembly meeting. Provided that the Bank shall announce this as prescribed in paragraph (d) of this Article.

f) Shareholders shall be granted the opportunity to effectively participate and vote in the General Assembly meetings. The meetings of the General Assemblies of shareholders may be convened and shareholders may participate in their deliberations and vote on their resolutions using methods of contemporary technologies pursuant to the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.

g) The Board shall work on facilitating the participation of the largest number of shareholders in the meetings of the General Assembly, including choosing the appropriate place and time of such meeting.

h) The bank shall ensure recording the details of the shareholders who desire to attend at the Bank’s head office prior to the specified time for convening the assembly, unless the Bank’s bylaws state other means.

7.12.11 The Agenda of the General Assembly

a) When preparing the General Assembly’s agenda, the Board shall take into consideration the matters that the shareholders wish to list; shareholders holding no less than (5%) of the Bank’s shares are entitled to add one or more items to the agenda upon its preparation.

b) The Board shall separate each of the matters listed in the agenda of the General Assembly meeting as an independent item, and not combine significantly different matters under one item, and not combine the businesses and contracts in which Board members have a direct or indirect interest under one item, for the purpose of obtaining the shareholders’ vote for the item as a whole.

c) The shareholders shall be allowed through the Bank’s website and Tadawul website, when the invitation for the convention of the General Assembly is published, to obtain the information related to the items of the General Assembly’s agenda, particularly the reports of the Board and the external auditor, the financial statements and the Audit Committee’s report in order to enable them to make an informed decision in this regard. The bank shall update this information in case the General Assembly’s agenda was amended.
d) The CMA may add any items it deems appropriate to the agenda of the General Assembly.

7.12.12 Management of the Shareholders’ Assembly

a) The Shareholders’ General Assembly meetings shall be chaired by the chairman, his deputy (if the chairman is absent) or who is delegated by the Board of Directors of its members (when the chairman and his deputy are absent).

b) The chairman of the Shareholders’ Assembly shall commit to grant the shareholders the opportunity to effectively participate and vote in the meetings of the General Assembly, and avoid any procedure that may prevent their attendance to the assemblies or the exercise of the voting right. Shareholders shall be informed of the rules governing such meetings and the voting procedures.

c) Shareholders are entitled to discuss matters listed in the agenda of the General Assembly and raise relevant questions to the Board members and to the external auditor. The Board of the external auditor shall answer the questions raised by shareholders to the extent that doesn’t jeopardize the Bank’s interest.

d) Shareholders shall be garneted access to the minutes of meetings of the General Assembly meeting; and the bank shall provide CMA with a copy of such minutes of meetings within (10) days of the date of any such meeting.

e) A Bank shall announce to the public and inform CMA and Tadawul, as per the rules prescribed by CMA, of the results of a General Assembly meeting immediately following its conclusion.

7.13 Communication with supervising authority

The Board should inform SAMA about all punishment or penalty imposed on the bank by any other supervisory, regulatory or judicial authority that is listed in the Fit and Proper forms regarding Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA, within 5 business days from the date of the penalty.